

## Finning reports Q3 2023 results

**Vancouver, B.C.** – Finning International Inc. (TSX: FTT) (“Finning”, the “Company”, “we”, “our” or “us”) reported third quarter 2023 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

### HIGHLIGHTS

All comparisons are to Q3 2022 results unless indicated otherwise.

- Q3 2023 EPS <sup>(1)</sup> of \$1.07 was up 9%, driven by higher revenues and strong operating margins partially offset by higher finance cost.
- Q3 2023 revenue of \$2.7 billion and net revenue <sup>(2)</sup> of \$2.4 billion were up 13% and 16%, respectively, driven by a 28% increase in new equipment sales and a 13% increase in product support revenue.
- Q3 2023 EBIT <sup>(1)</sup> was up 12%. EBIT as a percentage of net revenue <sup>(2)</sup> was 10.3%, 40 basis points below Q3 2022, due to a higher proportion of large mining equipment sales in the revenue mix. EBIT as a percentage of net revenue was 10.8% in Canada, 12.3% in South America, and 5.9% in the UK & Ireland.
- Invested capital turnover <sup>(2)</sup> was 2.08 times, up from 1.96 times in Q3 2022.
- Q3 2023 Adjusted ROIC <sup>(1)(2)(4)</sup> was 20.2%, up 190 basis points from Q3 2022, led by South America.
- Q3 2023 free cash flow <sup>(3)</sup> was at breakeven compared to \$57 million use of cash in Q3 2022. Q3 2023 net debt to Adjusted EBITDA <sup>(1)(2)(4)</sup> was 1.8 times, comparable to Q3 2022.
- Consolidated equipment backlog <sup>(2)</sup> was \$2.3 billion at September 30, 2023 compared to \$2.4 billion at June 30, 2023. Higher equipment backlog in South America, driven by significant mining orders, was offset by lower backlog in Canada due to strong deliveries, and lower backlog in the UK & Ireland.

“We delivered another strong quarter in Q3. I am very pleased with how we are executing and continue building on our strong momentum. I am proud of the team’s resilience in managing through specific challenges in the quarter, which included wildfires and port strikes in Canada, as well as very difficult operating conditions in Argentina, which we expect will continue while the country works through the election process. We are empowering our people to drive customer loyalty and execute on the strategic priorities we outlined at our 2023 Investor Day: drive product support, full-cycle resilience, and sustainable growth. We see continued momentum in our business, supported by robust customer activity across our diverse end markets, healthy equipment backlog, and strong service levels. From a regional standpoint, Chile is mobilizing for growth, Canada is well positioned for steady growth, and our UK & Ireland business is resilient and sharing practices to drive innovation and efficiency within our company,” said Kevin Parkes, president and CEO.

### Q3 2023 FINANCIAL SUMMARY

(\$ millions, except per share amounts)	3 months ended September 30		
	2023	2022	% change fav <sup>(1)</sup> (unfav) <sup>(1)</sup>
New equipment	870	679	28%
Used equipment	72	96	(25)%
Equipment rental	86	79	9%
Product support	1,362	1,209	13%
Net fuel and other	47	44	8%
Net revenue	2,437	2,107	16%
Gross profit	660	577	14%
<i>Gross profit as a percentage of net revenue<sup>(2)</sup></i>	<i>27.1%</i>	<i>27.4%</i>	
SG&A <sup>(1)</sup>	(412)	(353)	(17)%
<i>SG&amp;A as a percentage of net revenue<sup>(2)</sup></i>	<i>(16.9)%</i>	<i>(16.7)%</i>	
Equity earnings of joint ventures	4	—	
EBIT	252	224	12%
<i>EBIT as a percentage of net revenue</i>	<i>10.3%</i>	<i>10.7%</i>	
Net income attributable to shareholders of Finning	156	149	4%
EPS	1.07	0.97	9%
Free cash flow	—	(57)	100%

Q3 2023 EBIT by Operation (\$ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	137	104	19	(8)	252	1.07
<i>EBIT as a percentage of net revenue</i>	<i>10.8%</i>	<i>12.3%</i>	<i>5.9%</i>	<i>n/m<sup>(1)</sup></i>	<i>10.3%</i>	

Q3 2022 EBIT by Operation (\$ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	125	85	21	(7)	224	0.97
<i>EBIT as a percentage of net revenue</i>	<i>11.7%</i>	<i>12.3%</i>	<i>6.2%</i>	<i>n/m</i>	<i>10.7%</i>	

## QUARTERLY KEY PERFORMANCE MEASURES

	2023				2022				2021	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
EBIT (\$ millions)	<b>252</b>	242	239	214	224	190	140	157	150	
Adjusted EBIT <sup>(3)(4)</sup> (\$ millions)	<b>252</b>	242	216	214	224	190	140	157	150	
EBIT as a % of net revenue										
Consolidated	<b>10.3%</b>	9.4%	11.2%	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	
Canada	<b>10.8%</b>	9.9%	11.0%	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	
South America	<b>12.3%</b>	12.1%	10.5%	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	
UK & Ireland	<b>5.9%</b>	5.5%	5.1%	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	
Adjusted EBIT as a % of net revenue <sup>(2)(4)</sup>										
Consolidated	<b>10.3%</b>	9.4%	10.1%	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	
Canada	<b>10.8%</b>	9.9%	11.3%	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	
South America	<b>12.3%</b>	12.1%	11.5%	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	
UK & Ireland	<b>5.9%</b>	5.5%	5.7%	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	
EPS	<b>1.07</b>	1.00	0.89	0.89	0.97	0.80	0.59	0.66	0.61	
Adjusted EPS <sup>(2)(4)</sup>	<b>1.07</b>	1.00	0.89	0.89	0.97	0.80	0.59	0.66	0.61	
Invested capital <sup>(2)</sup> (\$ millions)	<b>4,897</b>	4,630	4,545	4,170	4,358	4,076	3,777	3,326	3,335	
ROIC <sup>(2)</sup> (%)										
Consolidated	<b>20.7%</b>	20.8%	20.2%	18.7%	18.3%	17.5%	17.0%	16.8%	15.6%	
Canada	<b>19.8%</b>	20.1%	19.4%	18.7%	18.2%	17.4%	17.4%	17.5%	16.5%	
South America	<b>27.1%</b>	25.9%	24.0%	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	
UK & Ireland	<b>13.7%</b>	15.5%	17.0%	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	
Adjusted ROIC										
Consolidated	<b>20.2%</b>	20.2%	19.7%	18.7%	18.3%	17.5%	17.0%	16.4%	14.7%	
Canada	<b>19.9%</b>	20.2%	19.6%	18.7%	18.2%	17.4%	17.4%	16.9%	15.3%	
South America	<b>27.6%</b>	26.4%	24.6%	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	
UK & Ireland	<b>14.1%</b>	15.9%	17.4%	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	
Invested capital turnover (times)	<b>2.08</b>	2.07	2.01	2.01	1.96	2.00	2.03	2.04	2.01	
Inventory (\$ millions)	<b>2,919</b>	2,764	2,710	2,461	2,526	2,228	2,101	1,687	1,627	
Inventory turns (dealership) <sup>(2)</sup> (times)	<b>2.58</b>	2.49	2.51	2.61	2.52	2.50	2.66	3.09	3.09	
Working capital to net revenue <sup>(2)</sup>	<b>27.6%</b>	27.5%	28.0%	27.4%	27.1%	25.1%	23.8%	22.9%	23.0%	
Free cash flow (\$ millions)	—	31	(245)	332	(57)	(142)	(303)	148	176	
Net debt to Adjusted EBITDA ratio (times)	<b>1.8</b>	1.8	1.7	1.6	1.8	1.8	1.6	1.1	1.3	

### **Q3 2023 HIGHLIGHTS BY OPERATION**

All comparisons are to Q3 2022 results unless indicated otherwise. All numbers, except ROIC, are in functional currency: Canada – Canadian dollar; South America – US dollar (USD); UK & Ireland – UK pound sterling (GBP). These variances and ratios for South America and UK & Ireland exclude the foreign currency translation impact from the CAD relative to the USD and GBP, respectively, and are therefore considered to be specified financial measures. We believe the variances and ratios in functional currency provide meaningful information about operational performance of the reporting segment.

#### **Canada Operations**

- Net revenue was up 18%, driven primarily by a 57% increase in new equipment sales. New equipment sales were strong across all sectors, led by mining deliveries to oil sands customers.
- Product support revenue increased by 10%, led by strong mining activity.
- EBIT was up 10%. EBIT as a percentage of net revenue was 10.8%, below 11.7% in Q3 2022, due to a higher proportion of large mining equipment sales in the revenue mix.

#### **South America Operations**

- Net revenue increased by 20%, driven by strong mining volumes. Construction and power systems revenues were also above Q3 2022.
- New equipment sales were up 37%, reflecting deliveries of large mining equipment in Chile.
- Product support revenue was up 12%, led by strong mining activity.
- EBIT was up 20%. EBIT as a percentage of net revenue of 12.3% was comparable to Q3 2022.
- South America generated Adjusted ROIC of 27.6%, an all-time high.

#### **UK & Ireland Operations**

- Net revenue decreased by 17% as lower equipment sales in construction were partially offset by higher revenues in power systems. Construction sales in Q3 2022 benefitted from HS2 deliveries.
- Product support revenue was up 6%, supporting solid operating margin. EBIT as a percentage of net revenue was 5.9%.

#### **Corporate and Other Items**

- Corporate EBIT loss was \$8 million in Q3 2023 comparable to Q3 2022.
- The Board of Directors has approved a quarterly dividend of \$0.25 per share, payable on December 7, 2023, to shareholders of record on November 23, 2023. This dividend will be considered an eligible dividend for Canadian income tax purposes.
- We repurchased 1.47 million shares in Q3 2023 at an average price of \$42.27, representing 1.0% of our public float.

#### **Appointment of John Rhind to the Board of Directors Effective January 1, 2024**

We are pleased to announce the appointment of John Rhind as an independent director to the Board of Directors effective January 1, 2024. Mr. Rhind brings decades of business and executive leadership experience in the oil and gas industry, primarily focused on oil sands operations. Most recently, Mr. Rhind served as Chair of the board of directors of Energy Safety Canada, after serving as its Chief Executive Officer. Prior to that, Mr. Rhind served in several executive officer roles at Shell Canada Ltd., including as Vice President, Operations, Heavy Oil. Before joining Shell, Mr. Rhind spent 25 years at Syncrude Canada Ltd., where he held management and operational roles across various business divisions, including mining, extraction and utilities.

"We are pleased to welcome John to our Board. He brings a wealth of experience in executive and operational management, safety and strategic direction in the oil and gas sector. We look forward to gaining his valuable perspective and leveraging his direct industry knowledge," said Harold Kvisle, chair of Finning's Board of Directors.

## **MARKET UPDATE AND BUSINESS OUTLOOK**

The discussion of our expectations relating to the market and business outlook in this section is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading “Forward-Looking Information Caution” at the end of this news release. Actual outcomes and results may vary significantly.

### **Canada Operations**

Our outlook for Western Canada is positive and reflects broad-based strength across our diverse markets.

As the completion of major pipelines creates additional capacity to move heavy oil and liquefied natural gas to end markets, we expect to see increased activity in the energy sector to grow production. Our mining and energy customers are steadily increasing their investment to renew, maintain, and rebuild aging fleets.

In the oil sands, based on customer commitments and discussions, we anticipate strong demand for product support, including component remanufacturing and rebuilds.

We expect ongoing commitment from federal and provincial governments to infrastructure development to support activity in the construction sector. In addition, growing demand for reliable, efficient, and sustainable electric power solutions across communities in Western Canada creates opportunities for our power systems business.

### **South America Operations**

In Chile, our strong outlook is underpinned by growing demand for copper and improving political clarity. We are encouraged by the recent government approvals of large-scale brownfield expansions and increasing customer confidence to invest in brownfield and greenfield projects. Mining activity remains high, driving strong demand for equipment, product support, and technology solutions.

In the construction sector, we continue to see healthy demand from large contractors supporting mining operations, and we expect infrastructure construction in Chile to remain stable.

In the power systems sector, activity remains strong in the industrial and data centre markets, and we are well positioned to benefit from growing demand for electric power solutions.

High inflation, currency restrictions, and new import regulations are expected to continue impacting our business in Argentina. With the Presidential election process concluding in November, we expect volatility to continue in an already challenging fiscal, regulatory, and currency environment. We continue to actively manage and mitigate these risks, however, the prolonged import and currency restrictions associated with the election process increase our risk and likelihood of losses and negative tax impacts in the fourth quarter.

### **UK & Ireland Operations**

In the construction sector, product support activity is expected to remain resilient, driven by steady machine utilization and growing contribution from Hydraquip <sup>(1)</sup>. With deliveries to HS2 completed, we continue to expect lower construction sales in the UK in 2023 compared to 2022.

We expect continued strong demand for our UK & Ireland power systems business for both primary and backup power generation, including in the data centre market and short-term capacity power for utilities and other applications.

## **Executing Well and Building on Positive Momentum**

Looking ahead, we are building capabilities and empowering our people to drive customer loyalty and execute on the strategic priorities we outlined at our 2023 Investor Day: drive product support, full-cycle resilience, and sustainable growth.

To support growth in the business and our strategic priorities, we now expect our 2023 net capital expenditures and net rental fleet additions to be approximately \$300 million, above the previously communicated range of \$190 million to \$240 million. An increase in expenditures is primarily attributable to higher reinvestment in rental fleet, strategic investments in mining trucks, and the timing of certain facility disposals.

To access Finning's complete Q3 2023 results, please visit our website at [https://www.finning.com/en\\_CA/company/investors.html](https://www.finning.com/en_CA/company/investors.html)

### **Q3 2023 INVESTOR CALL**

We will hold an investor call on November 7, 2023 at 10:00 am Eastern Time. Dial-in numbers: 1-800-319-4610 (Canada and US), 1-416-915-3239 (Toronto area), 1-604-638-5340 (international). The investor call will be webcast live and archived for three months. The webcast and accompanying presentation can be accessed at [https://www.finning.com/en\\_CA/company/investors.html](https://www.finning.com/en_CA/company/investors.html)

### **ABOUT FINNING**

Finning is the world's largest Caterpillar dealer, delivering unrivalled service to customers for 90 years. Headquartered in Surrey, British Columbia, we provide Caterpillar equipment, parts, services, and performance solutions in Western Canada, Chile, Argentina, Bolivia, the United Kingdom, and Ireland.

### **CONTACT INFORMATION**

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## **Description of Specified Financial Measures and Reconciliations**

### **Specified Financial Measures**

We believe that certain specified financial measures, including non-GAAP<sup>(1)</sup> financial measures, provide users of our Earnings Release with important information regarding the operational performance and related trends of our business. The specified financial measures we use do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Accordingly, specified financial measures should not be considered as a substitute or alternative for financial measures determined in accordance with GAAP (GAAP financial measures). By considering these specified financial measures in combination with the comparable GAAP financial measures (where available) we believe that users are provided a better overall understanding of our business and financial performance during the relevant period than if they simply considered the GAAP financial measures alone.

We use KPIs to consistently measure performance against our priorities across the organization. Some of our KPIs are specified financial measures.

There may be significant items that we do not consider indicative of our operational and financial trends, either by nature or amount. We exclude these items when evaluating our operating financial performance. These items may not be non-recurring, but we believe that excluding these significant items from GAAP financial measures provides a better understanding of our financial performance when considered in conjunction with the GAAP financial measures. Financial measures that have been adjusted to take these significant items into account are referred to as "Adjusted measures". Adjusted measures are specified financial measures and are intended to provide additional information to readers of the Earnings Release.

Descriptions and components of the specified financial measures we use in this Earnings Release are set out below. Where applicable, quantitative reconciliations from certain specified financial measures to their most directly comparable GAAP financial measures (specified, defined, or determined under GAAP and used in our consolidated financial statements) are also set out below.

### **Adjusted EPS**

Adjusted EPS excludes the after-tax per share impact of significant items that we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance. The tax impact of each significant item is calculated by applying the relevant applicable tax rate for the jurisdiction in which the significant item occurred. The after-tax per share impact of significant items is calculated by dividing the after-tax amount of significant items by the weighted average number of common shares outstanding during the period.

A reconciliation between EPS (the most directly comparable GAAP financial measure) and Adjusted EPS can be found on page 9 of this Earnings Release.

### **Adjusted EBIT and Adjusted EBITDA**

Adjusted EBIT and Adjusted EBITDA exclude items that we do not consider to be indicative of operational and financial trends, either by nature or amount, to provide a better overall understanding of our underlying business performance.

Adjusted EBITDA is calculated by adding depreciation and amortization to Adjusted EBIT.

The most directly comparable GAAP financial measure to Adjusted EBITDA and Adjusted EBIT is EBIT.

Significant items identified by management that affected our results were as follows:

- In Q1 2023, we executed various transactions to simplify and adjust our organizational structure. We wound up two wholly owned subsidiaries, recapitalized and repatriated \$170 million of profits from our South American operations, and incurred severance costs in each region as we reduced corporate overhead costs and simplified our operating model. As a result of these activities, our Q1 2023 financial results were impacted by significant items that we do not consider indicative of operational and financial trends:
  - Net foreign currency translation gain and income tax expense were reclassified to net income on the wind up of foreign subsidiaries;
  - Withholding tax payable related to the repatriation of profits; and,
  - Severance costs incurred in all of our operations.
- Finning qualified for and recorded a benefit from Q2 2020 to Q1 2021 related to CEWS <sup>(1)</sup>, which was introduced by the Government of Canada in response to the COVID-19 <sup>(1)</sup> pandemic for eligible entities that met specific criteria.
- In December 2020, the shareholders of Energyst <sup>(1)</sup>, which included Finning, decided to restructure the company. A plan was put in place to sell any remaining assets and wind up Energyst, with net proceeds from the sale to be distributed to Energyst's shareholders. In Q1 2021, we recorded a return on our investment in Energyst.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for our consolidated operations is as follows:

3 months ended (\$ millions)	2023				2022				2021			2020
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
EBIT	252	242	239	214	224	190	140	157	150	137	108	108
Significant items:												
Gain on wind up of foreign subsidiaries	—	—	(41)	—	—	—	—	—	—	—	—	—
Severance costs	—	—	18	—	—	—	—	—	—	—	—	—
CEWS support	—	—	—	—	—	—	—	—	—	—	(10)	(14)
Return on Energyst investment	—	—	—	—	—	—	—	—	—	—	(5)	—
Adjusted EBIT	252	242	216	214	224	190	140	157	150	137	93	94
Depreciation and amortization	94	94	92	87	84	81	81	84	80	78	77	77
Adjusted EBITDA <sup>(3)(4)</sup>	346	336	308	301	308	271	221	241	230	215	170	171

The impact on provision for income taxes of the significant items was as follows:

3 months ended (\$ millions)	2023				2022			2021	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Significant items:									
Gain on wind up of foreign subsidiaries	—	—	9	—	—	—	—	—	—
Severance costs	—	—	(5)	—	—	—	—	—	—
Withholding tax on repatriation of profits	—	—	19	—	—	—	—	—	—
Provision for income taxes on the significant items	—	—	23	—	—	—	—	—	—

A reconciliation from EPS to Adjusted EPS for our consolidated operations is as follows:

3 months ended (\$)	2023				2022			2021	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EPS <sup>(a)</sup>	1.07	1.00	0.89	0.89	0.97	0.80	0.59	0.66	0.61
Significant items:									
Gain on wind up of foreign subsidiaries	—	—	(0.21)	—	—	—	—	—	—
Severance costs	—	—	0.09	—	—	—	—	—	—
Withholding tax on repatriation of profits	—	—	0.12	—	—	—	—	—	—
Adjusted EPS <sup>(a)</sup>	1.07	1.00	0.89	0.89	0.97	0.80	0.59	0.66	0.61

<sup>(a)</sup> The per share impact for each quarter has been calculated using the weighted average number of common shares outstanding during the respective quarters; therefore, quarterly amounts may not add to the annual or year-to-date total.

A reconciliation from EBIT to Adjusted EBIT for our Canadian operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31
EBIT	137	136	126	128	125	102	80	92	84	82	69	72	
Significant items:													
Severance costs	—	—	4	—	—	—	—	—	—	—	—	—	—
CEWS support	—	—	—	—	—	—	—	—	—	—	(10)	(13)	
Adjusted EBIT	137	136	130	128	125	102	80	92	84	82	59	59	

A reconciliation from EBIT to Adjusted EBIT for our South American operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31
EBIT	104	104	74	96	85	64	65	59	58	51	41	41	
Significant item:													
Severance costs	—	—	7	—	—	—	—	—	—	—	—	—	—
Adjusted EBIT	104	104	81	96	85	64	65	59	58	51	41	41	

A reconciliation from EBIT to Adjusted EBIT for our UK & Ireland operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31
EBIT	19	18	15	16	21	23	14	12	17	17	7	11	
Significant item:													
Severance costs	—	—	2	—	—	—	—	—	—	—	—	—	—
Adjusted EBIT	19	18	17	16	21	23	14	12	17	17	7	11	

A reconciliation from EBIT to Adjusted EBIT for our Other operations is as follows:

3 months ended (\$ millions)	2023				2022				2021				2020
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31
EBIT	(8)	(16)	24	(26)	(7)	1	(19)	(6)	(9)	(13)	(9)	(16)	
Significant items:													
Gain on wind up of foreign subsidiaries	—	—	(41)	—	—	—	—	—	—	—	—	—	—
Severance costs	—	—	5	—	—	—	—	—	—	—	—	—	—
Return on Energyst investment	—	—	—	—	—	—	—	—	—	—	(5)	—	—
CEWS support	—	—	—	—	—	—	—	—	—	—	—	—	(1)
Adjusted EBIT	(8)	(16)	(12)	(26)	(7)	1	(19)	(6)	(9)	(13)	(14)	(17)	

## Equipment Backlog

Equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. We use equipment backlog as a measure of projecting future new equipment deliveries. There is no directly comparable GAAP financial measure for equipment backlog.

## Free Cash Flow

Free cash flow is defined as cash flow provided by or used in operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in our financial statements. We use free cash flow to assess cash operating performance, including working capital efficiency. Consistent positive free cash flow generation enables us to re-invest capital to grow our business and return capital to shareholders. A reconciliation from cash flow used in or provided by operating activities to free cash flow is as follows:

3 months ended (\$ millions)	2023				2022			2021	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash flow provided by (used in) operating activities	37	66	(166)	410	(24)	(112)	(273)	193	212
Additions to property, plant, and equipment and intangible assets	(50)	(40)	(79)	(78)	(33)	(30)	(30)	(45)	(38)
Proceeds on disposal of property, plant, and equipment	13	5	—	—	—	—	—	—	2
Free cash flow	—	31	(245)	332	(57)	(142)	(303)	148	176

## Inventory Turns (Dealership)

Inventory turns (dealership) is the number of times our dealership inventory is sold and replaced over a period. We use inventory turns (dealership) to measure asset utilization. Inventory turns (dealership) is calculated as annualized cost of sales (excluding cost of sales related to the mobile refuelling operations) for the last six months divided by average inventory (excluding inventory related to the mobile refuelling operations), based on an average of the last two quarters. Cost of sales related to the dealership and inventory related to the dealership are calculated as follows:

3 months ended (\$ millions)	2023				2022			2021		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cost of sales	2,044	2,125	1,758	2,025	1,807	1,761	1,463	1,465	1,443	1,396
Cost of sales related to the mobile refuelling operations	(283)	(237)	(253)	(302)	(293)	(300)	(231)	(190)	(170)	(153)
Cost of sales related to the dealership <sup>(3)</sup>	1,761	1,888	1,505	1,723	1,514	1,461	1,232	1,275	1,273	1,243

(\$ millions)	2023				2022			2021		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Inventory	2,919	2,764	2,710	2,461	2,526	2,228	2,101	1,687	1,627	1,643
Inventory related to the mobile refuelling operations	(17)	(14)	(12)	(12)	(12)	(13)	(11)	(9)	(6)	(3)
Inventory related to the dealership <sup>(3)</sup>	2,902	2,750	2,698	2,449	2,514	2,215	2,090	1,678	1,621	1,640

## Invested Capital

Invested capital is calculated as net debt plus total equity. Invested capital is also calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt, net of cash and cash equivalents. We use invested capital as a measure of the total cash investment made in Finning and each reportable segment. Invested capital is used in a number of different measurements (ROIC, Adjusted ROIC, invested capital turnover) to assess financial performance against other companies and between reportable segments. Invested capital is calculated as follows:

(\$ millions)	2023				2022				2021		2020	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Cash and cash equivalents	(168)	(74)	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)
Short-term debt	1,372	1,142	1,266	1,068	1,087	992	804	374	419	114	103	92
Long-term debt												
Current	203	199	253	114	106	110	63	190	191	386	326	201
Non-current	955	949	675	815	836	807	909	921	923	903	973	1,107
Net debt <sup>(3)</sup>	2,362	2,216	2,065	1,709	1,909	1,739	1,481	983	1,015	1,025	933	861
Total equity	2,535	2,414	2,480	2,461	2,449	2,337	2,296	2,343	2,320	2,252	2,244	2,206
Invested capital	4,897	4,630	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277	3,177	3,067

## Invested Capital Turnover

We use invested capital turnover to measure capital efficiency. Invested capital turnover is calculated as net revenue for the last twelve months divided by average invested capital of the last four quarters.

## Net Debt to Adjusted EBITDA Ratio

This ratio is calculated as net debt divided by Adjusted EBITDA for the last twelve months. We use this ratio to assess operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take us to repay debt, with net debt and Adjusted EBITDA held constant.

## Net Revenue, Gross Profit as a % of Net Revenue, SG&A as a % of Net Revenue, and EBIT as a % of Net Revenue

Net revenue is defined as total revenue less the cost of fuel related to the mobile refuelling operations in our Canadian operations. As these fuel costs are pass-through in nature for this business, we view net revenue as more representative than revenue in assessing the performance of the business because the rack price for the cost of fuel is fully passed through to the customer and is not in our control. For our South American and UK & Ireland operations, net revenue is the same as total revenue.

We use these specified financial measures to assess and evaluate the financial performance or profitability of our reportable segments. We may also calculate EBIT as a % of net revenue using Adjusted EBIT to exclude significant items we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

The ratios are calculated, respectively, as gross profit divided by net revenue, SG&A divided by net revenue, and EBIT divided by net revenue. The most directly comparable GAAP financial measure to net revenue is total revenue. Net revenue is calculated as follows:

3 months ended (\$ millions)	2023				2022				2021		2020	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Total revenue	2,704	2,779	2,380	2,653	2,384	2,289	1,953	1,949	1,904	1,845	1,596	1,666
Cost of fuel	(267)	(220)	(236)	(285)	(277)	(285)	(217)	(175)	(156)	(140)	(127)	(115)
Net revenue	2,437	2,559	2,144	2,368	2,107	2,004	1,736	1,774	1,748	1,705	1,469	1,551

## ROIC and Adjusted ROIC

ROIC is defined as EBIT for the last twelve months divided by average invested capital of the last four quarters, expressed as a percentage.

We view ROIC as a useful measure for capital allocation decisions that drive profitable growth and attractive returns to shareholders. We also calculate Adjusted ROIC using Adjusted EBIT to exclude significant items that we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

## Working Capital & Working Capital to Net Revenue Ratio

Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). We view working capital as a measure for assessing overall liquidity.

The working capital to net revenue ratio is calculated as average working capital of the last four quarters, divided by net revenue for the last twelve months. We use this KPI to assess the efficiency in our use of working capital to generate net revenue. Working capital is calculated as follows:

(\$ millions)	2023				2022				2021		2020	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Total current assets	5,217	4,985	4,974	4,781	4,652	4,098	4,030	3,619	3,620	3,416	3,319	3,214
Cash and cash equivalents	(168)	(74)	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)
Total current assets in working capital	5,049	4,911	4,845	4,493	4,532	3,928	3,735	3,117	3,102	3,038	2,850	2,675
Total current liabilities	3,690	3,569	3,763	3,401	3,196	2,789	2,647	2,155	2,156	1,942	1,817	1,623
Short-term debt	(1,372)	(1,142)	(1,266)	(1,068)	(1,087)	(992)	(804)	(374)	(419)	(114)	(103)	(92)
Current portion of long-term debt	(203)	(199)	(253)	(114)	(106)	(110)	(63)	(190)	(191)	(386)	(326)	(201)
Total current liabilities in working capital	2,115	2,228	2,244	2,219	2,003	1,687	1,780	1,591	1,546	1,442	1,388	1,330
Working capital <sup>(3)</sup>	2,934	2,683	2,601	2,274	2,529	2,241	1,955	1,526	1,556	1,596	1,462	1,345

## FOOTNOTES

- (1) Earnings Before Finance Costs and Income Taxes (EBIT); Basic Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC); favourable (fav); unfavourable (unfav); not meaningful (n/m); Hydraquip Hose & Hydraulics Ltd. and Hoses Direct Ltd. (Hydraquip); generally accepted accounting principles (GAAP); Canadian Emergency Wage Subsidy (CEWS); Novel Coronavirus (COVID-19); Energyst B.V. (Energyst).
- (2) See “Description of Specified Financial Measures and Reconciliations” on page 7 of this Earnings Release.
- (3) These are non-GAAP financial measures. See “Description of Specified Financial Measures and Reconciliations” on page 7 of this Earnings Release.
- (4) Certain financial measures were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described starting on page 8 of this Earnings Release. The financial measures that have been adjusted to take these items into account are referred to as “Adjusted measures”.

## Forward-Looking Information Disclaimer

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This news release contains information that is forward-looking. Information is forward-looking when we use what we know and expect today to give information about the future. All forward-looking information in this news release is subject to this disclaimer including the assumptions and material risk factors referred to below. Forward-looking information in this news release includes, but is not limited to, the following: all information in the section entitled "Market Update and Business Outlook", including for our Canada operations: our outlook for Western Canada being positive and reflecting broad-based strength across our diverse markets; our expectation for increased activity in the energy sector to grow production (based on assumptions of additional capacity created by the completion of major pipelines); our expectations for mining and energy customers steadily increasing their investment to renew, maintain, and rebuild aging fleets; in the oil sands, our expectation for strong demand for product support, including component remanufacturing and rebuilds; our expectation of ongoing commitment from federal and provincial governments to infrastructure development to support activity in the construction sector; our expectations for growing demand for reliable, efficient, and sustainable electric power solutions across communities in Western Canada; for our South America operations: in Chile, our strong outlook based on growing demand for copper and improving political clarity (and based on assumptions of continued strong mining activity driving demand for equipment, product support and technology solutions, that government approvals of large-scale brownfield expansions will result in projects proceeding as anticipated, and increasing customer confidence to invest in brownfield and greenfield projects); our expectation that infrastructure construction in Chile will remain stable (based on assumptions of continued strong demand from large contractors supporting mining operations); in the power systems sector, our expectation for activity remaining strong in the industrial and data centre markets, and that we are well positioned to benefit from growing demand for electric power solutions; in Argentina, our expectation that high inflation, currency restrictions and new import regulations will continue impacting our business; our expectation for volatility and very difficult operating conditions to continue in an already challenging fiscal, regulatory, and currency environment, and our belief that, while we continue to actively manage and mitigate these risks, the prolonged import and currency restrictions associated with the Argentina election process increases our risk and likelihood of losses and negative tax impacts in the fourth quarter (based on assumptions of continued volatility from the Presidential election process, foreign exchange and potential Argentine peso devaluation); for our UK & Ireland operations: in the construction sector, our expectation that product support activity will remain resilient, driven by steady machine utilization and growing contribution from Hydraquip; our continued expectation of lower construction sales in the UK in 2023 compared to 2022 (based on deliveries to HS2 being completed); our expectation of continued strong demand for our UK & Ireland power systems business for both primary and backup power generation, including in the data centre market and short-term capacity power for utilities and other applications; and overall: our expectation of continued momentum in our business supported by robust customer activity across our diverse end markets, healthy equipment backlog, and strong service levels; our belief that Chile is mobilizing for growth, Canada is well positioned for steady growth and the UK & Ireland is resilient and continues to share practices to drive innovation and efficiency within our company; our expectation for our 2023 net capital expenditures and net rental fleet additions to be approximately \$300 million, above the previously communicated range of \$190 million to \$240 million, primarily due to higher reinvestment in rental fleet, strategic investments in mining trucks and the timing of certain facility disposals; and the Canadian income tax treatment of the quarterly dividend. All such forward-looking information is provided pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless we indicate otherwise, forward-looking information in this news release reflects our expectations at the date of this news release. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on a number of assumptions. This gives rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking information and that our business outlook, objectives, plans, strategic priorities and other information that is not historical fact may not be achieved. As a result, we cannot guarantee that any forward-looking information will materialize.

Factors that could cause actual results or events to differ materially from those expressed in or implied by this forward-looking information include: the specific factors stated above; the impact and duration of, and our ability to respond to and manage, high inflation, increasing interest rates, supply chain challenges, and the impacts of the Russia-Ukraine war; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; perspectives of renewed investments in the oil and gas and mining projects in Argentina; government approvals of large-scale brownfield expansions; support and commitment by Canadian federal and provincial governments in infrastructure development; the constitutional reform process and proposed tax reform bill in Chile; foreign exchange rates; commodity prices; interest rates; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability

to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to sustainably reduce costs and improve productivity and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to effectively integrate and realize expected synergies from businesses that we acquire; our ability to deliver our equipment backlog; our ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary regulatory or other approvals, and secure financing on attractive terms or at all; our ability to manage our growth strategy effectively; our ability to effectively price and manage long-term product support contracts with our customers; our ability to drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for our employees and us; the intensity of competitive activity; our ability to maintain a safe and healthy work environment across all regions; our ability to raise the capital needed to implement our business plan; business disruption resulting from business process change, systems change and organizational change; regulatory initiatives or proceedings, litigation and changes in laws, regulations or policies, including with respect to environmental protection and/or energy transition; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the availability of carbon neutral technology or renewable power; the cost of climate change initiatives; the occurrence of one or more natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest or similar disruptions; the availability of insurance at commercially reasonable rates and whether the amount of insurance coverage will be adequate to cover all liability or loss that we incur; the potential of warranty claims being greater than we anticipate; and the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; and our ability to protect our business from cybersecurity threats or incidents. Forward-looking information is provided in this news release to give information about our current expectations and plans and allow investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this news release is based on a number of assumptions that we believed were reasonable on the day the information was given, including but not limited to: the specific assumptions stated above; that we will be able to successfully manage our business through volatile commodity prices, high inflation, increasing interest rates, supply chain challenges and the impacts of the Russia-Ukraine war, and successfully execute our strategies to win customers, achieve full cycle resilience (based on assumptions that steps to reduce corporate overhead, drive productivity and optimize working capital while supporting strong business growth will be successful and sustainable) and continue business momentum (based on assumptions that we will be able to continue to source and hire technicians, build capabilities and capacity and successfully and sustainably improve workshop efficiencies); that commodity prices will remain at constructive levels; that our customers will not curtail their activities; that general economic and market conditions will continue to be strong; that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; that support and demand for renewable energy will continue to grow; that present supply chain and inflationary challenges will not materially impact large project deliveries in our equipment backlog; our ability to successfully execute our plans and intentions, including our strategic priorities as outlined at our 2023 Investor Day; that we will successfully execute initiatives to reduce our GHG emissions and support our customers on their individual GHG reduction pathways; our ability to attract and retain skilled staff; market competition will remain at similar levels; the products and technology offered by our competitors will be as expected; identified opportunities for growth will result in revenue; that we have sufficient liquidity to meet operational needs; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained and that Caterpillar and such other suppliers will deliver quality, competitive products with supply chain continuity; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; completion of major pipelines and the resulting increased activity in the energy sector; that demand for sustainable electric power solutions in Western Canada will continue to grow; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries in the regions that we operate. Some of the assumptions, risks, and other factors, which could cause results to differ materially from those expressed in the forward-looking information contained in this news release, are discussed in our current AIF and in our annual and most recent quarterly MD&A for the financial risks. We caution readers that the risks described in the annual and most recent quarterly MD&A and in the AIF are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, or results of operation.

Except as otherwise indicated, forward-looking information does not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this news release. The financial impact of

these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.